

Subject 206

Pensions and Annuities

If you received retirement benefits in the form of pension or annuity payments, the amount you received may be completely non-taxable, partially taxable, or fully taxable.

If you are retired and receiving retirement benefits from an employer-sponsored pension plan, you are eligible for a \$6,000 retirement income exclusion. Deduct the \$6,000 exclusion from the taxable amount listed on your 1099-R. However, if you participated in the McFadden v. Weiss Lawsuit, you should fill out the McFadden Claimant Worksheet to determine the amount of cost recovery you can deduct.

If you had a zero (0) basis in your retirement according to the worksheet, for Arkansas tax purposes your taxable amount is the same as your gross distribution regardless of what your 1099-R reports. Deduct the \$6,000 exemption from your gross distribution and include this amount on Line 19A or 19B.

If your pension was less than \$6,000, you can only use the exclusion to the extent of your pension income. Your spouse receives a separate \$6,000 exclusion if he or she also had income from an employer sponsored pension plan.

IRA distributions received after the age of 59½ or because of death or disability also qualify for the \$6,000 exemption.